Washington State Auditor's Office

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Financial Statements Audit Report

Cascadia Community College

For the period July 1, 2013 through June 30, 2014

Published May 26, 2015

Report No. 1014327

Washington State Auditor

May 26, 2015

Cascadia Community College
Bothell, Washington

Report on Financial Statements

Please find attached our report on the Cascadia Community College's financial statements.

We are issuing this report in order to provide information on the College's financial condition.

Sincerely,

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

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State of Washington
Cascadia Community College
July 1, 2013 through June 30, 2014

Cascadia Community College
Bothell, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Cascadia Community College, King County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 4, 2015. As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the College implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of the College's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 4, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Cascadia Community College
July 1, 2013 through June 30, 2014

Cascadia Community College
Bothell, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Cascadia Community College, King County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cascadia Community College, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2014, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 4, 2015

FINANCIAL SECTION

Cascadia Community College
July 1, 2013 through June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis

Cascadia College

The following discussion and analysis provides an overview of the financial position and activities of Cascadia College (the College) for the fiscal year ended June 30, 2014 (FY 2014). The 2014 report constitutes the college's inaugural audited financial statements. As a result, comparisons included in this discussion were made with unaudited information for the fiscal year ended June 30, 2013 (FY 2013), where available.

This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Cascadia College is one of thirty public community and technical college districts in the state of Washington overseen by the State Board for Community and Technical Colleges (SBCTC). The College provides comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 3,400 students. The College confers associates degrees, certificates and high school diplomas and will be offering a Bachelor's degree in Applied Science in 2016. The College began operations in 2000; its mission is to transform student lives through integrated education in a learning-centered environment.

The College's main campus is located in Bothell, Washington, a community of about 34,000 residents. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College at a moment in time, at year-end. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over a period of time. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health as a whole.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents the College's assets, liabilities, and net position at year-end and includes all assets and liabilities of the College. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	**FY2014**	**FY 2013 (Unaudited)**
Assets		
Current Assets	15,654,613	14,622,830
Capital Assets, net	103,948,338	105,692,169
Total Assets	**$ 119,602,951**	**$ 120,314,999**
Liabilities		
Current Liabilities	4,478,112	5,024,129
Other Liabilities, non-current	1,169,155	530,697
Total Liabilities	**$ 5,647,267**	**$ 5,554,826**
Net Position	**$ 113,955,684**	**$ 114,760,173**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The $1,031,783 increase of current assets in FY 2014 can primarily be attributed to actual revenues exceeding budgeted revenues while actual expenses were lower than budgeted expenses.

Net capital assets decreased by $1,743,831 from FY 2013 to FY 2014. The decrease is primarily the result of current depreciation expense of $2,450,897. This decrease was partially offset by the acquisition of capitalizable equipment.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

The decrease in current liabilities from FY 2013 to FY 2014 is due primarily to a reduction in payments due to other state agencies.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees.

Net position represents the value of the College's assets after liabilities are deducted. The College is required by accounting standards to report its net position in four categories:

Net Investment in Capital Assets – The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.

Restricted:

Non Expendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Cascadia College Foundation, an independent 501c(3) corporation. As a result, the college is not reporting a balance in this category.

Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The Foundation is the vehicle which holds these assets, the College is accordingly not reporting a balance in this category.

Non-Restricted – Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, for replacement of equipment, renewal of facilities, new program development, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Condensed Net Position As of June 30th	**FY 2014**	**FY 2013** **(Unaudited)**
Invested in Capital Assets, net of related debt	$103,948,338	$105,690,184
Restricted		
Expendable		
Unexpendable		
Non-Restricted	$10,007,346	$9,069,989
Total Net Position	**$113,955,684**	**$114,760,173**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2014. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition and grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives from another government entity without directly giving equal value to that government entity in return. Accounting standards require that the College categorize state operating appropriations and Pell Grants as non-operating revenues.

Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of fact that the College's operations are subsidized by the State of Washington in order to make higher education accessible to its citizens.

A condensed statement of revenues, expense and changes in net position is presented below. A single year is presented as part of this inaugural set of financial statements. Future years will include comparative information.

Condensed Statement of Revenue, Expenses and Changes in Net Position As of June 30th	**FY 2014**
Operating Revenues	$ 14,074,991
Operating Expenses	25,809,561
Net Operating Loss	(11,734,570)
Non-Operating Revenues	10,732,250
Non-Operating Expenses	705,851
Gain (Loss) Before Other	(1,708,171)
Capital Appropriations	903,681
Increase (Decrease) in Net Position	(804,490)
Net Position, Beginning of the Year	**$ 114,760,174**
Net Position, End of the Year	**$ 113,955,684**

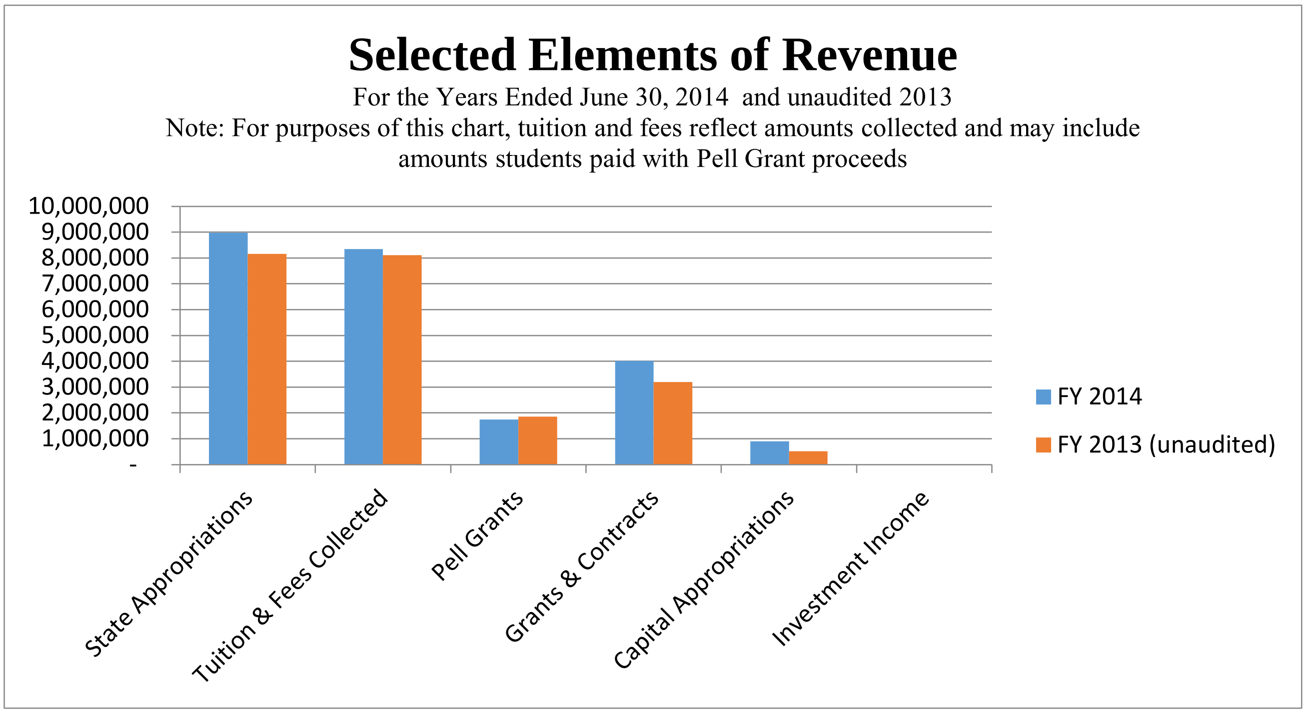
Revenues

The College's state operating appropriations decreased multiple times between FY 2009 and FY 2013. The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009 and as of FY 2013 were reduced by almost 24%. Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. In FY 2014, the Legislature reinstated a small portion of the previous cuts.

The College's slight increase in tuition and fee revenue in FY 2014 is primarily attributable to a combination of a smaller proportion of students taking more than 10 credits (resulting in higher tuition collections per FTE) and increases in non-State enrollment in FY 2014; fee revenues grew primarily due to increases in the number of fee paying students enrolled in the College's contract programs.

In FY 2014, state and local grant and contract revenues increased by $826,075 when compared with FY 2013 due to enrollment increases in the College's contract enrollment programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses; Running Start enrollments increased by 9% in FY 2014. The College also serves contracted international students who are not supported by state dollars; International Student enrollments increased by 50% in FY 2014.

The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenditures that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



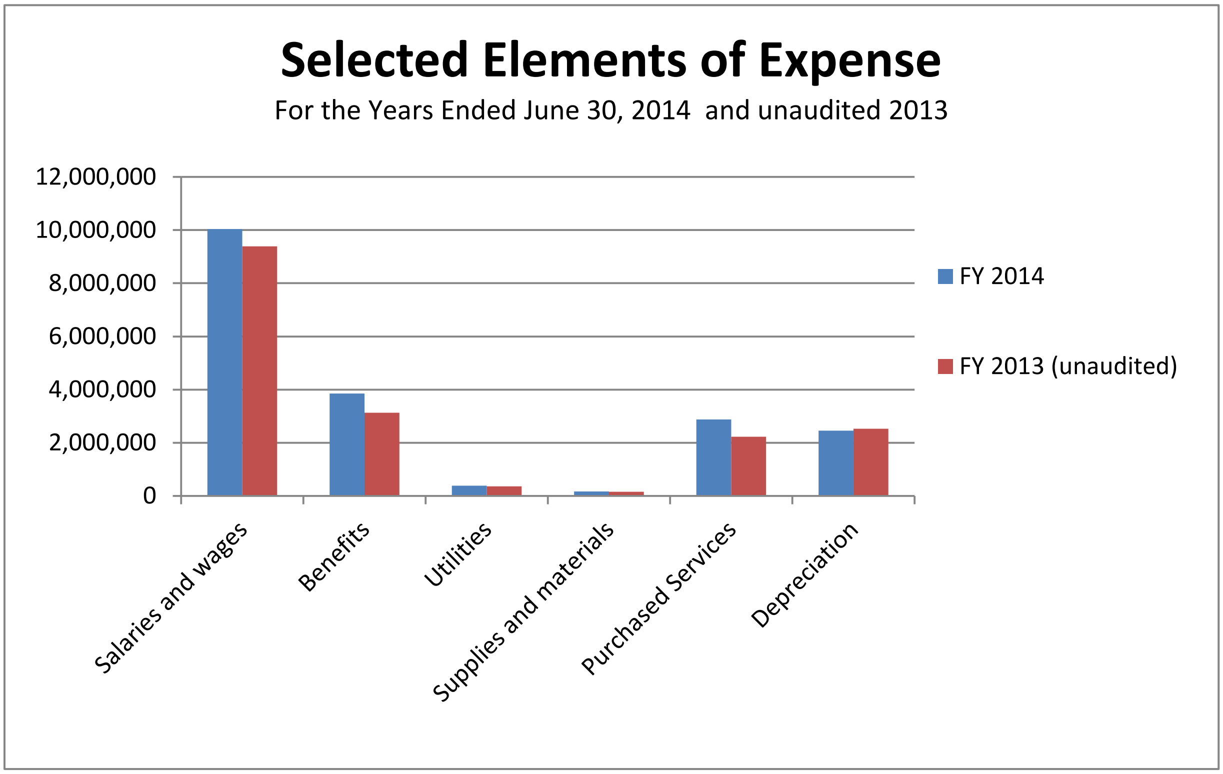
Expenses

Faced with severe budget cuts over the past five years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending, reduced services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2014, salary and benefit costs increased as the College's overall enrollment increase drove the hiring of additional faculty. Other factors include the conversion of part time faculty positions to full time status, the restoration of State salary reduction funds and the implementation of collective bargaining agreement provisions.

Purchased Services primarily consist of library, facilities and public safety services purchased by the College from the University of Washington. The increase in purchased services reflects the increased cost of those services. The College reduced utility expenses by 2% in FY 2014 as a result of a variety of sustainability initiatives. Depreciation expense is primarily driven by building depreciation since very few of the College's equipment purchases are capitalized.

Comparison of Selected Operating Expenses by Type
The chart below shows the amount, in dollars, for selected types of operating expenses for FY 2014 and FY 2013.



Statement of Cash Flows
The Statement of Cash Flows gives a general picture of where the College obtains and spends its cash and cash equivalents. The statement gives detailed information about cash flows related to four different types of activities within the institution.

The first section shows cash received and spent on the operations of the college. Since tuition and fees and other operating revenue alone do not normally cover the operating costs of a public higher education institution, this section can be expected to show more cash used than provided.

The second section shows cash received and spent on non-capital financing activities of the College. Here the College reports cash from state appropriations and cash related to federally-funded Pell grants. This section also includes any activity that cannot be reported in one of the other sections.

The third section shows cash received and spent on capital and related financing activities. This includes state capital appropriations for major projects, minor works and repairs. It also includes cash proceeds, loan origination costs, interest and principal payments related to Certificates of Participation. Since colleges periodically use local funds to supplement these sources, it is not unusual for this section to show more cash used than provided.

The fourth section shows cash received and spent on investing activities, including the purchase and sale of investment instruments, interest earnings and realized gains or losses from investments.

Next the statement shows how the current year's change in cash combined with the prior year's cash balance results in the ending cash and cash equivalents balance shown on the College's Statement of Net Position. Finally, the statement includes a detailed reconciliation of operating activity only, between the operating loss shown as a subtotal on the Statement of Revenues, Expenses and Changes in Net Position and the net cash used by operating activities shown on the Cash Flow Statement.

A condensed statement of cash flows is presented below. A single year is presented as part of this inaugural set of financial statements. Future years will include comparative information.

Condensed Statement of Cash Flows As of June 30th	**FY 2014**
Operating Activities	(5,274,941)
Non-Capital Financing Activities	8,824,067
Capital Financing Activities	509,554
Investing Activities	2,629
Net Change in Cash	**$ 4,061,309**
Cash, Beginning of Year	9,653,659
Cash, End of Year	**$ 13,714,968**

The College's cash and cash equivalents at June 30th increased in 2014 by $4,061,309, primarily due to the collection of a $2.9 million receivable from the State. Other contributing factors include continued increases in high margin enrollments resulting in higher than budgeted revenues as well as lower than budgeted expenses primarily attributable to vacancy savings.

Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2014, the College had invested $103,948,338 in capital assets, net of accumulated depreciation. This represents a decrease from last year, as shown in the table below.

Asset Type	30-Jun-14	June 30, 2013 (unaudited)	Change
Land	$ 10,538,436	$ 10,538,436	$ -
Project in Progress	285,698		285,698
Buildings, Net	92,636,974	95,015,667	(2,378,693)
Other Improvements and Infrastructure, net			-
Equipment, net	487,230	138,065	349,165
Library Resoruces, net			
Total Capital Assets, Net	**$ 103,948,338**	**$ 105,692,168**	**$ (1,743,830)**

Economic Factors That Will Affect the Future

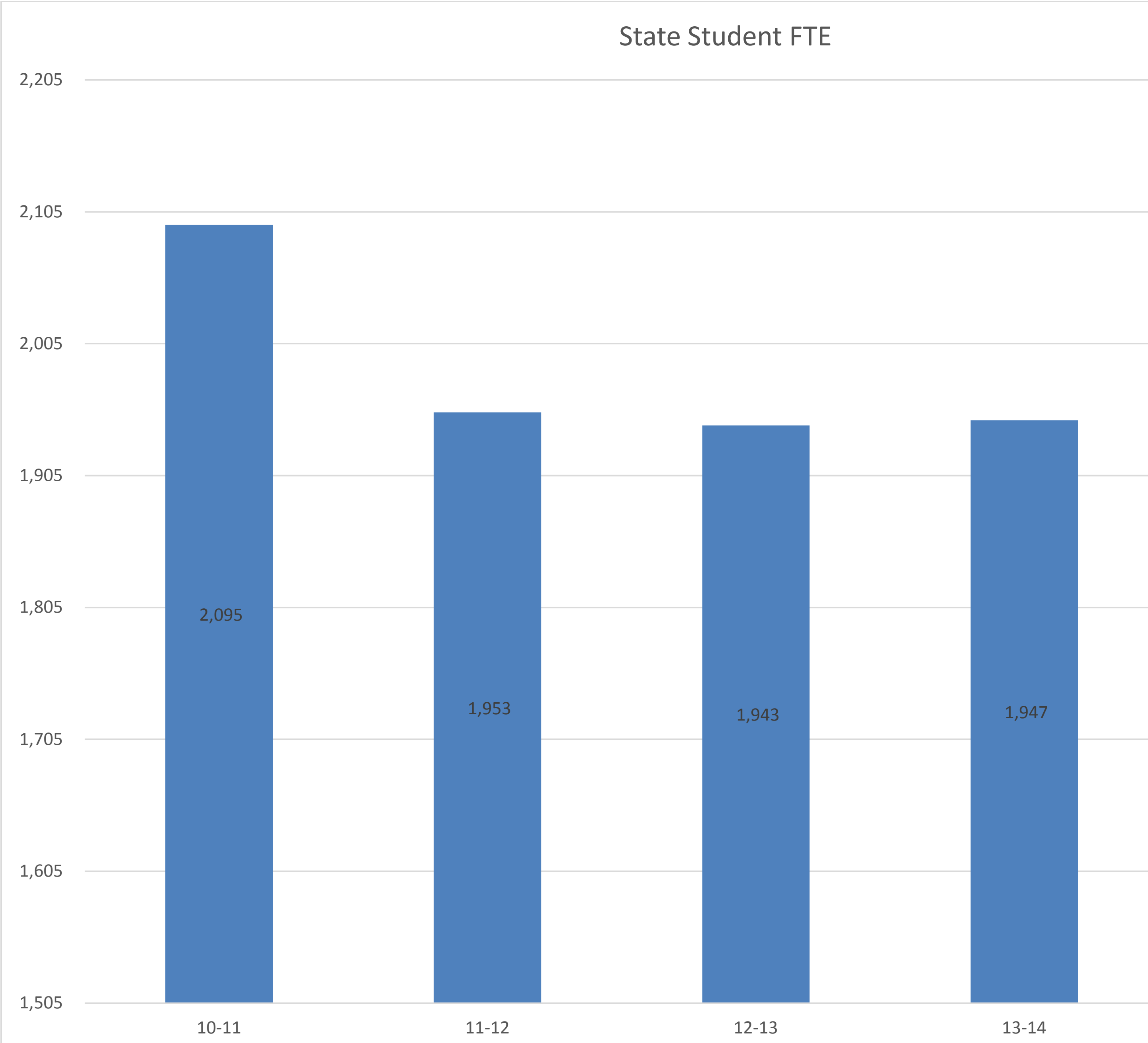
Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2013. More recently, when creating the 2013 – 2015 biennial budget, the state Legislature re-invested in community and technical colleges. As a result, the net reduction of community college funding between FY 2009 and expected funding levels by the end of FY 2015 will have been a little over 15 percent. These investments in community colleges allowed the Legislature to keep FY 2014 tuition flat for resident, non-resident and baccalaureate students. It's unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations.

SBCTC is responsible for allocating the funds appropriated by the state Legislature to individual college districts. This allocation is determined by a formula which is very favorable to the College, which receives significantly more funding per student to reach its State enrollment target than any other college in the WCTC system. The funding formula is currently under review and is scheduled to change in FY 2016. We anticipate that the change will reduce the amount of funds the State provides to the College for several biennia (since its effects will be phased in over time to reduce the negative impact on colleges benefiting from the current allocation formula).

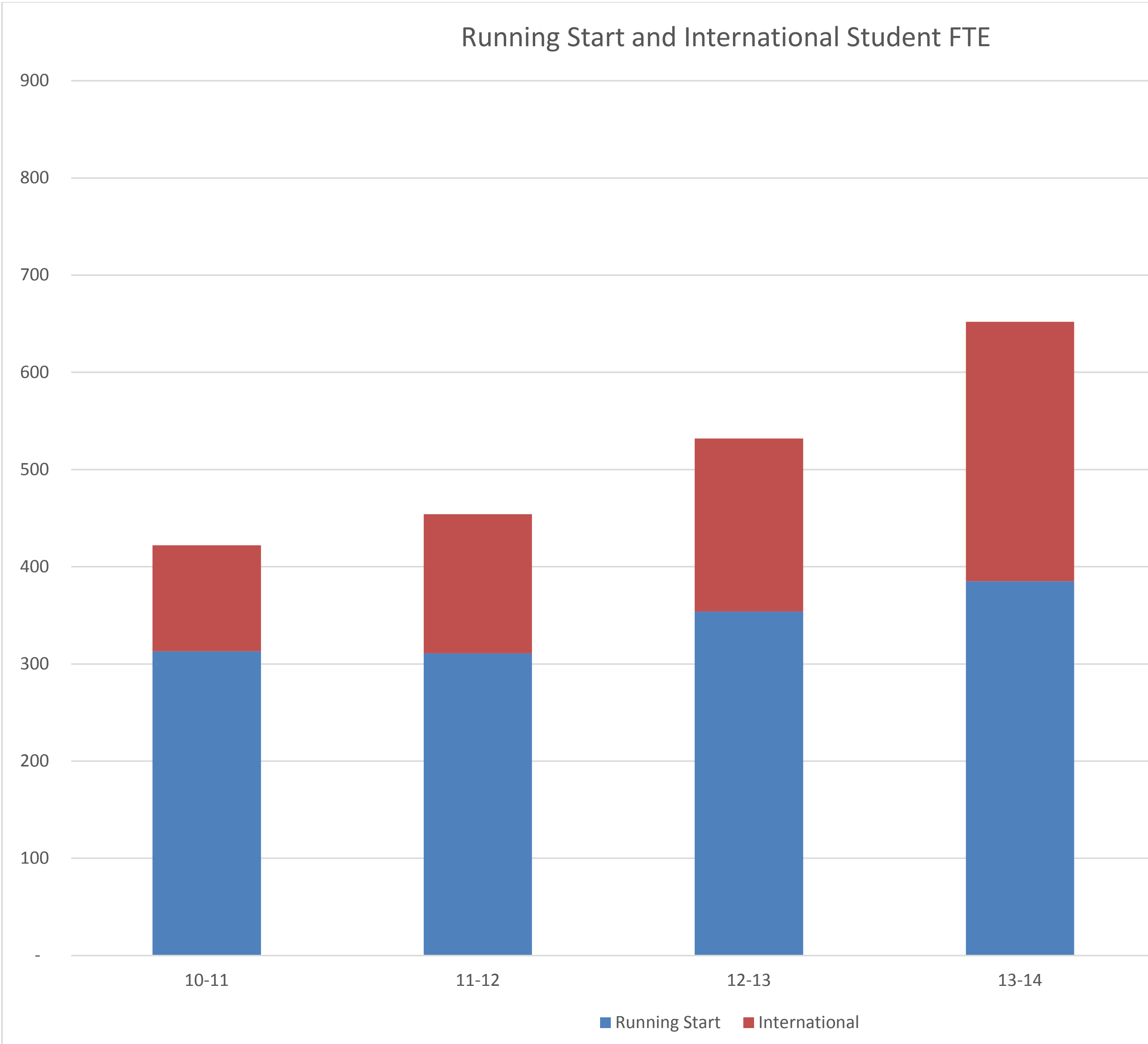
Washington's Economic and Revenue Forecast Council prepares independent forecasts quarterly throughout the year. In its most recent forecast (February 2015), the council observed that most of the state's economic risk factors continue to come from outside the state. Deflationary pressures globally, a slowing Chinese economy, the Eurozone's economic and debt problems, the appreciation of the dollar and political dysfunction at the Federal level all remain major threats to the U.S. and Washington economies.

Closer to home, Washington continues to add jobs, including showing growth in the manufacturing sector. Housing construction, home prices and car sales also increased and exports are at an all-time high. Both employment and personal income are expected to continue to grow through 2020, the end of the period covered by the forecast. However, the effect of the recent dramatic appreciation of the dollar has not been factored into the forecast. A stronger dollar will negatively impact both Washington State's export competitiveness and the College's competitiveness in the global education market.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. The Great Recession of 2008 has had a lingering effect on the job market in Washington, but the unemployment rate is now returning to "normal" levels. Enrollment of State FTE has accordingly begun to decline, the College projects a decline of 6% in State enrollments in 2015. This trend is being compounded by a continuing decline in the number of students graduating from the College's feeder high schools. The College anticipates enrollment of State students to decline for another 2-3 years given demographic and economic trends. The introduction of the Bachelor of Applied Science in Sustainable Practices degree is not expected to materially offset enrollment losses in the College's traditional programs.



The projected decline in State enrollments in FY 2015 should be fully offset by growth in the College's Running Start and International Programs, whose enrollments are projected to grow by 3% and 54% respectively in FY 2015. However, while the enrollment increases in the Running Start program may be sustainable for a few more years, the Board of Trustees has already made the decision to attempt to stabilize enrollment in the College's International Programs around the current level.



A significant part of the College's expense structure is driven by the University of Washington, Bothell, which provides the College with library, facilities and public safety staff and services. The University has is seeking to ensure the maintenance of a high quality workforce by increasing compensation by 4% per biennium beyond State funded COLA increases. These costs will be passed on to the College, which will receive no additional funding from the State to offset the costs.

The SBCTC system is also scheduled to replace its legacy mission critical transaction processing systems in the next three years. Significant implementation costs are anticipated to be associated with the adoption of the new system.

Cascadia Community College
Statement of Net Position
June 30,2014

Assets			
Current assets			
Cash and cash equivalents			13,647,871
Restricted cash			67,097
Accounts Receivable			1,929,971
Interest Receivable			9,673
	Total current assets		15,654,613
Non-Current Assets			
Capital assets, net of depreciation			103,948,338
	Total non-current assets		103,948,338
Total Assets		**Total assets**	**119,602,951**
Deferred Outflows of Resources			-
Total Deferred Outflows of Resources			-
Liabilities			
Current Liabilities			
Accounts Payable			913,921
Accrued Liabilities			2,402,600
Compensated absences			110
Deposits Payable			59,221
Unearned Revenue			1,102,261
	Total current liabilities		4,478,112
Noncurrent Liabilities			
Compensated Absences			1,169,155
	Total non-current liabilities		1,169,155
		Total liabilities	**5,647,267**
Deferred Inflows of Resources			
Total Deferred Inflows of Resources			
Net Position			
Net Investment in Capital Assets			103,948,338
Unrestricted			10,007,346
Total Net Position		**Total net positior**	**113,955,684**
Total Liabilities and Net Position			**119,602,951**

(See accompanying note to the financial statements)

Cascadia Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

		TOTAL
Operating Revenues		
Student tuition and fees, net		8,349,817
Auxiliary enterprise sales		418,667
State and local grants and contracts		5,151,863
Federal grants and contracts		37,721
Other operating revenues		116,922
	Total operating revenue	14,074,991
Operating Expenses		
Operating Expenses		2,578,887
Salaries and wages		10,044,776
Benefits		3,854,127
Scholarships and fellowships		3,464,671
Supplies and materials		162,525
Depreciation		2,450,897
Purchased services		2,873,820
Utilities		379,858
	Total operating expenses	25,809,561
	Operating income (loss)	(11,734,570)
Non-Operating Revenues		
State appropriations		8,981,020
Federal Pell grant revenue		1,748,601
Investment income, gains and losses		2,629
	Net non-operating revenues	**10,732,250**
Non-Operating Expenses		
Building fee and Innovaton fee		705,851
	Net non-operating expenses	**705,851**
Income or (loss) before other revenues, expenses, gains, or losses		(1,708,171)
Capital Revenues		
Capital appropriations		903,681
	Increase (Decrease) in net position	(804,490)
Net Position		
Net position, beginning of year		114,760,174
Net position, end of year		113,955,684

(See accompanying note to the financial statements)

Cascadia Community College
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flow from operating activities	
Student tuition and fees	8,156,526
Grants and contracts	4,802,417
Payments to vendors	(5,363,282)
Payments for utilities	(385,582)
Payments to employees	(10,037,991)
Payments for benefits	(3,213,296)
Auxiliary enterprise sales	457,897
Payments for scholarships and fellowships	(3,464,671)
Other receipts (payments)	3,773,042
Net cash used by operating activities	(5,274,941)
Cash flow from noncapital financing activities	
State appropriations	7,781,317
Pell grants	1,748,601
Innovation Fee & Building Fee	(705,851)
Net cash provided by noncapital financing activities	8,824,067
Cash flow from capital and related financing activities	
Capital appropriations	1,216,620
Purchases of capital assets	(707,066)
Net cash used by capital and related financing activities	509,554
Cash flow from investing activities	
Income of investments	2,630
Net cash provided by investing activities	2,630
Increase in cash and cash equivalents	4,061,310
Cash and cash equivalents at the beginning of the year	9,653,659
Cash and cash equivalents at the end of the year	13,714,968
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(11,734,570)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,450,897
Changes in assets and liabilities	
Receivables , net	3,029,206
Other assets	320
Accounts payable	257,225
Accrued liabilities	619,360
Deferred revenue	116,143
Compensated absences	17,257
Deposits payable	(30,779)
Net cash used by operating activities	(5,274,940)

(See accompanying note to the financial statements)

Notes to the Financial Statements

June 30, 2014
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Cascadia College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and continuing education. The College confers associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report.

The Cascadia College Foundation (the Foundation) a separate but affiliated non-profit entity, incorporated under Washington law in 1999 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to support the College's efforts to enhance student success and strengthen their communities. The Foundation does not contribute significant resources to the College. Therefore their financial statements are not combined with those of the College.

Basis of Presentation

The college follows all GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities.* For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 is effective for financial statements for periods beginning after December 15, 2012. The College did not make any changes as a result of this pronouncement.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after June 15, 2014. The impact of this pronouncement is uncertain at this time.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* which improves recognition, measurement and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. GASB 70 is effective for fiscal years beginning after June 15, 2013. The college did not make any changes as a result of this pronouncement.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, inter-fund receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and in transit, bank demand deposits and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis.

Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from federal, state and local governments or private sources as allowed under the terms of grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Capital Assets
In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the assets rests with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading to the reader.

Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, and 2 to 10 years for most equipment.

In accordance with GASB Statement 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2014, no assets had been written down.

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. The College has recorded summer 2014 quarter tuition and fees as unearned revenues.

Tax Exemption
The College is a tax-exempt organization under the provisions of Section 115 (1) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Net Position
The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Unrestricted*. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues
The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts.

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations and investment income.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2014 are $1,463,287.

State Appropriations
The state of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Operating Revenues and Expenses
Operating revenues consist of tuition and fees, grants and contracts, sales and service of educational activities and auxiliary enterprise revenues. Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation. All other revenue and expenses of the College are reported as non-operating revenues and expenses including state general appropriations, Federal Pell grant revenues, investment income and interest expense.

2. Cash and Investments
Cash and cash equivalents include bank demand deposits, petty cash and cash in transit held at the College and unit shares in the Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7) Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

As of June 30, 2014, the carrying amount of the College's cash and equivalents was $13,714,968 as represented in the table below.

Table 1: Cash and Cash Equivalents	June 30, 2014
Petty Cash and Change Funds	$1,900
Bank Demand and Time Deposits	$8,692,252
Cash in Transit	$2,989,072
Local Government Investment Pool	$2,031,744
Total Cash and Cash Equivalents	**$13,714,968**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with the U.S. Bank. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

3. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2014, accounts receivable were as follows.

Table 2: Accounts Receivable	June 30, 2014
Student Tuition and Fees	$377,781
Due from Other State Agencies	779,898
Due from Federal Government	1,878
Other Receivables	967,441
Subtotal	2,126,999
Less Allowance for Uncollectible Accounts	(197,028)
Accounts Receivable, net	$1,929,971

4. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2014 is presented as follows. The current year depreciation expense was $2,450,897.

Table 3: Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 10,538,436			$ 10,538,436
Assets in Progress		285,698		285,698
Total nondepreciable capital assets	10,538,436	285,698	-	10,824,134
Depreciable capital assets				
Buildings	118,934,678			118,934,678
Other improvements and infrastructure		228,516		228,516
Equipment	1,218,036	192,853		1,410,889
Subtotal depreciable capital assets	120,152,714	421,369	-	120,574,083
Less accumulated depreciation				
Buildings	23,919,011	2,378,693		26,297,704
Other improvements and infrastructure		11,426		11,426
Equipment	1,079,971	60,778		1,140,749
Total accumulated depreciation	24,998,982	2,450,897	-	27,449,879
Total depreciable capital assets	95,153,732	(2,029,528)	-	93,124,204
Capital assets, net of accumulated depreciation	$ 105,692,168	$ (1,743,830)	$ -	$ 103,948,338

5. Accounts Payable and Accrued Liabilities

At June 30, 2014, accrued liabilities are the following:

Table 4: Accounts Payable and Accrued Liabilities	June 30, 2014
Accounts Payable	$913,921
Amounts Owed to Employees	$245,320
Due to Other State Agencies	$2,156,597
Other Liabilities	$60,014
Total Accounts Payable and Accrued Liabilities	**$3,375,851**

6. Unearned Revenue

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, as follows:

Table 5: Unearned Revenue	June 30, 2014
Summer Quarter Tuition and Fees	$1,102,261
Total Unearned Revenue	**$1,102,261**

7. Risk Management

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2013 through June 30, 2014, were $46,124

The College participates in a State of Washington risk management self-insurance program, which covers its exposure to tort, general damage and vehicle claims. Premiums paid to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to $10,000,000 for each claim with no deductible. The college has had no claims in excess of the coverage amount within the past three years.

8. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled $462,391, and accrued sick leave totaled $706,763 at June 30, 2014.

Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

9. Leases Payable

The College also has a lease for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2014, the minimum lease payments under operating leases consist of the following.

Table 10: Leases Payable	
Fiscal year	**Operating lease**
2014	2,429
2015	29,148
2016	29,148
2017	29,148
2018	29,148
2,019	26,719

10. Pension Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a multiple employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY 2013-14, the payroll for the College's employees was $1,415,409 for PERS, and $ 7,664,327 for SBRP. Total covered payroll was $9,079,736.

PERS and TRS

Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS Plan 3 provides retirement benefits to certain eligible faculty hired on or after October 1, 1977. The plan includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance.

The authority to establish and amend benefit provisions resides with the legislature. PERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration.

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for PERS and TRS Plans 1 are established by statute. By statute, PERS 3 employees may select among six contribution rate options, ranging from 5 to 15 percent.

The required contribution rates expressed as a percentage of current year covered payroll are shown in the table below. The College and the employees made 100% of required contributions.

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2014, 2013, and 2012 are as follows.

Contribution Rates at June 30						
	FY2012		FY2013		FY2014	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.08%	6.00%	7.21%	6.00%	9.21%
Plan 2	4.64%	7.08%	4.64%	7.21%	4.92%	9.21%
Plan 3	5 - 15%	7.08%	5 - 15%	7.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.04%	6.00%	8.05%	6.00%	10.39%
Plan 3	5-15%	8.04%	5-15%	8.05%	5-15%	10.39%

Required Contributions						
	FY2012		FY2013		FY2014	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 2,470	$ 2,914	$ 2,482	$ 2,982	$ 2,205	$ 3,384
Plan 2	$ 39,772	$ 60,687	$ 40,646	$ 63,160	$ 45,799	$ 85,653
Plan 3	$ 43,781	$ 43,755	$ 38,143	$ 40,197	$ 32,536	$ 41,023
TRS						
Plan 1						
Plan 3	$ 3,072	$ 4,940	$ 656	$ 1,056		

State Board Retirement Plan

<u>Plan Description</u>. Faculty and exempt administrative and professional staff are eligible to participate in SBRP. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

The Plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The SBCTC makes direct payments on behalf of the College to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with ten years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The State Board for Community and Technical Colleges is authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2014 were each $634,146 and $672,468.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2014, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $12,276. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2014, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $38,322. As of June 30, 2014, the Community and Technical College system accounted for $5,008,355 of the fund balance.

Washington State Deferred Compensation Program
The College, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement or unforeseeable financial emergency. The College does not have access to the funds.

Other Post-Employment Benefits
Health care and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

The state of Washington funds OPEB obligations at a state-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels, and as a result, the Actuarial Accrued Liability (AAL) is not available for the College. The state of Washington's Comprehensive Annual Financial Report (CAFR) includes the state's measurement and recognition of OPEB expense/expenditures, liabilities, note disclosures, and required supplementary information specified by GASB Statement No. 45. The State Actuary's report is available at: http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm

The College paid $1,618,423 for healthcare expenses in 2014, which included its pay-as-you-go portion of the OPEB liability.

11. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2014.

Expenses by Functional Classification		
Instruction	$	8,780,073
Academic Support Services		2,815,238
Student Services		2,218,184
Institutional Support		3,338,622
Operations and Maintenance of Plant		1,830,479
Scholarships and Other Student Financial Aid		90,570
Auxiliary enterprises		554,527
Student Financial Aid		3,082,313
Public Service		-
State Capital Project		648,657
Depreciation		2,450,897
Total operating expenses	**$**	**25,809,561**

12. Commitments and Contingencies

There is a class action filed against the State of Washington on behalf of certain employees alleging improper denial of healthcare benefits. Although the College has not been named as a defendant in the lawsuit, some of the class members are current or former employees of the College. Potentially, the state could assess the College with a material share of any amount paid in the event of a settlement or judgment. Due to the status of the lawsuit, the impact upon the College cannot be assessed with reasonable certainty at present.

Additionally, the College is may be engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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